Despite Protests, Few Governing Boards Have Voted to Eliminate Holdings

By ROBERT L. JACOBSON

For all the protests in recent years aimed at persuading colleges and universities to eliminate their investments in companies that do business in South Africa, relatively few governing boards have decided to divest—or even to consider formally what the financial consequences of such a step might be for their institutions.

Indeed, the coordinator of a national information center for college trustees, Linda E. Henderson, says she has not received any inquiries on South Africa-related issues in at least six months, including the latest period of campus unrest.

"It has not been a hot issue," says Ms. Henderson, who works for the Association of Governing Boards of Universities and Colleges. She says the reason may be that many boards already have policies on "social responsibility" and investing, developed during the last big wave of anti-apartheid demonstrations in the 1970's, and that they consider the matter settled.

During and since that earlier period, an estimated 75 to 100 colleges and universities adopted policies specifically concerned with South Africa-related investments. Many of those institutions have urged companies in which they hold stock to comply with the Sullivan Principles, a voluntary fair-employment code for operations in South Africa, and some have adopted policies of "selective divestment," saying they will pull their money out of individual companies that do not adequately adhere to the code or that otherwise violate certain standards—for instance, by selling equipment to the South African military or police.

An opponent of apartheid wants to blacklist coaches who recruit South African athletes. Story on Page 31.

The idea behind selective divestment, observes James A. Shoop, director of college relations at Carleton College, is "prudent divestment—don't take a bath. You just don't go out and dump the stock."

But contrary to what many protesters have been demanding, the overwhelming majority of U. S. colleges and universities have taken no steps to get rid of their South Africa-related holdings—if they have examined the issue at all—and some academic leaders are wary.

'Getting Up to Speed'

The American Council on Education, reflecting a sense that the recent "upsurge" in campus demonstrations is likely to spread, has compiled descriptions of divestment policies or related actions at 18 colleges and universities as a guide for board members and chief executives at other institutions who "may soon confront these issues."

Elaine H. El-Khawas, the A.C.E.'s vice-president for policy analysis and research, says it assumes that many institutions are "going to want to get up to speed on this very quickly."

The most common approach by boards that have formally addressed the subject, the council reports, is to "reject political motivations for their actions and affirm the premise that colleges should not benefit from corporate practices that cause substantial social injury." But most of the policies also note that the institutions are "in the business of education," the council adds; that their welfare is "primary"; and that "the fiduciary responsibilities of trustees should govern all actions."

The latest protests, involving dozens of institutions, have challenged such policies anew, forcing trustees and campus officials to rethink their positions. As before, the debate encompasses a series of complex questions—political, moral, and financial.

For example, even if a majority of a board's members are as opposed to South Africa's policy of racial separation as are the thousands of students and others who have been calling for full divestment on ethical grounds, is that fact a sufficient or proper basis for formal board action?

What would be the practical effect of divestment on the companies whose stock is being sold—or on South Africa? And what about the generally accepted principle that college and university endowments should be invested to produce the greatest possible return within prudent standards of risk-taking?

Emphasis on Financial Aspects

Although such questions have been around for about as long as governing boards have had money to invest in multinational firms, in the current climate of increased awareness and protest over South Africa there is a new emphasis on financial considerations.

Specifically, some proponents of full divestment are saying that—apart from the moral and political dimensions—such a step can be relatively safe and even financially profitable for the institutions that adopt it.

Since 1977, according to the American Committee on Africa, a nonprofit organization that supports the independence of African people, 11 U.S. institutions of higher education and two student organizations have voted to end all their investments in companies or banks doing business in South Africa.

About 20 states and municipal governments also have joined the divestment movement, generally focusing on publicly controlled pension funds.

Speaking of higher education, Joshua F. Nessen, student coordinator of the American Committee on Africa, says categorically, "No institution that has divested has lost money." He also points to a recent assertion by an official of the Mitchell Investment Management Company of Cambridge, Mass., that "an investment policy incorporating ethical and moral responsibilities need not have an adverse effect on fund performance."

The analyst, Marcy M. Murninghan, president of Mitchell's Social Investment Services Division, told a faculty-sponsored meeting at Columbia University last month that the average earnings of the 30 companies that were most highly rated for the degree of their compliance with the Sullivan Principles trailed the investment gains of Standard & Poor's 500-stock index for the 12 months ending last March 31 by 1.75 points—11.75 per cent, compared with 13.5 per cent for the S & P.

In the same period, Ms. Murninghan said, Columbia's own investments in South Africa-related stocks gained 8.94 per cent, while a separate group of more than 300 medium- and large-scale companies with no connections in South Africa increased their earnings by 22.9 per cent.

Thus, from a financial perspective, Ms. Murninghan concludes, colleges and universities might well find "more attractive investment opportunities" in companies that do not operate in South Africa than in those that do.

Another financial argument in support of divestment, says a report by the Africa Fund in association with the American Committee on Africa, is that unrest in South Africa itself is jeopardizing American investments there.

"It is simply not prudent to invest large sums of money in such a destabilized political situation," the report maintains. "The risk of losing one's investment increases with each day."

Theodore Brown, a high-school history teacher and researcher on corporate responsibility and investment matters, wrote that section of the report. He concluded from a study of "two different portfolios with comparable quality and liquidity"—one consisting of South Africa-related stocks and the other having none—that the divested portfolio "substantially outperforms its counterpart with slightly higher but probably irrelevant risk."

Several other investment studies point in the opposite direction, however, suggesting that full divestment can lead to considerable losses, especially for institutions with large portfolios. About a third of the corporations that make up the S & P 500 are involved in South Africa, and some analysts caution that excluding all of them would force investors into less-diversified portfolios comprising smaller and riskier stocks.

In that view, investors with assets of at least $50-million—a group that includes 90 of the 206 colleges and universities whose endowments were surveyed last year by the National Association of College and University Business Officers—would be in the greatest danger of serious losses.

Still other analysts insist that there isn't enough evidence yet—one way or the other—for any definite conclusions about the financial consequences of divestment.

"There really isn't a lot of good data on it—there is more heat than light," says Sophie M. Korczyk, senior research associate at the Employee Benefit Research Institute, a tax-exempt trade association.

At the University of Michigan, which has sold most of its stocks in South Africa-related companies, Norman Herbert, the investment manager, also is skeptical about the evidence to date.

"I'm not persuaded that there are enough money managers yet who have demonstrated the ability to manage a portfolio without representation of [South Africa-related] companies," he says. "There hasn't been a lot done on that. There are some studies now that go back a few years. There are managers who indicate they can do it. But from a historical perspective, there are few who have in fact done it."

Michigan's board of regents, which has made a partial divestment, is contesting a 1982 state law requiring it to make a total divestment. The board says the law violates its autonomy under the state constitution.

Effect 'Difficult to Quantify'

In a recent analysis of nine "major divestment studies" between 1978 and 1984, the Investor Responsibility Research Center reached the overall conclusion that "divestment will have a detrimental effect over the long term on portfolio performance." However, while the center called that its "most important" finding, it added several qualifications.

It said the effect of divestment was "difficult to quantify with any degree of accuracy" and would vary in its severity according to the style of a particular investment manager and the value of the equity portion of a given portfolio.

Moreover, the center said, "while we looked for quantitative estimates of investment costs whenever possible, we found few in which we had complete confidence."

The analysis said it was generally clear that large, actively managed portfolios stood to suffer the most from full divestment, and that the costs of doing so were "potentially substantial." But it also concluded that the costs "can be reduced, perhaps to a significant extent," through different management techniques.

The center, a not-for-profit organization established in 1972, includes several dozen colleges and universities among its 190 clients.

One institution that has been cited as an example of how full divestment can be profitable is Michigan State University, which sold about $7.2-million in South-Africa related stocks in 1979-80. According to Nancy Elliott Craig, the university's director of investments and trusts, a comparison of the value of replacement stocks with those it had sold

Divestments by 42 Institutions of Higher Education

NEW YORK

Since 1977, according to the American Committee on Africa, a nonprofit organization that supports the "struggle for independence" of African people, 13 U.S. institutions of higher education—including two student organizations—have voted to sell or withdraw all their investments in companies or banks doing business in South Africa.

At least 29 colleges and universities have made partial divestments.

Although dollar amounts have not been reported in all cases, the combined value of investments sold or withdrawn by several dozen of the institutions is more than $211-million.

Following are the institutions listed by the committee, the approximate reported value of their divestments, and the years in which they were made.

Full Divestment

	Value of Divestment	Year
Antioch University	—	1978
City University of New York	$7,050,000	1984
Hampshire College	40,000	1976
Lutheran School of Theology at Chicago	—	1981
Michigan State University	7,191,000	1979-80
New York University School of Law:		
Student Bar Association	11,000	1978
Ohio University	60,000	1978
Oregon State Board of Higher Education* (8 colleges and universities)	6,000,000	1977-78
University of California:		
Associated Students U.C.L.A.	25,000,000	1980
University of Maine	3,000,000	1982
University of Massachusetts	600,000	1977
University of Wisconsin	11,000,000	1978
Western Michigan University	200,000	1983

Partial Divestment

	Value of Divestment	Year
Amherst College	$1,300,000	1976-82
Boston University	6,600,000	1979
Brandeis University	350,000	1979
Brown University	4,600,000	1984
Carleton College	285,000	1979
	—	1980-84
Colby College	2,900,000	1980-84
Columbia University	2,700,000	1979
Dartmouth College	2,000,000	1985
Eastern Michigan University	2,500,000	1980
Harvard University	50,900,000	1981
	1,000,000	1985
Haverford College	—	1982
Howard University	1,800,000	1978
Mount Holyoke College	450,000	1981
New Brunswick Theological Seminary	—	1982
Oberlin College	—	1980
Ohio State University	250,000	1978-79
Rutgers, the State University	—	1980
	7,000,000	1985
Smith College	655,000	1977
State University of New York College at Oneonta	80,000	1978
Swarthmore College	2,200,000	1981
Tufts University	100,000	1979
Union Theological Seminary (New York)	4,000,000	1980
University of California at Berkeley	4,000,000	1979
University of Michigan	306,000	1979
	41,000,000	1983-84
University of Pennsylvania	800,000	1983
Vassar College	6,500,000	1978
Wesleyan University	367,000	1980
Williams College	700,000	1980
Yale University	1,600,000	1979
	4,100,000	1984

— No figure reported.
* Full divestment voted but not put into effect.

in Companies Linked to South Africa

showed a gain "on paper" of about $1.1-million.

But Ms. Craig disagrees with those who contend that "because of our South Africa policy we're a million dollars better off," since some of the divested stocks would have been sold in any event. Moreover, she warns that if a growing number of institutions start replacing major Standard & Poor's stocks with smaller companies that aren't operating in South Africa, "it is going to get more and more difficult" to find appropriate replacement stocks.

"There will be too many institutions chasing too few stocks, and that will drive the prices up," she says.

Some Are Taking a Fresh Look

Whether many college and university governing boards will now be influenced by financial considerations to vote for full or even partial divestment when they have declined to do so in the past seems questionable, although some institutions are taking a fresh look.

At Columbia, which was rocked by a three-week anti-apartheid protest last month, the board of trustees has agreed to study the economic consequences of full divestment, among other approaches. A trustee committee said the inquiry, which was recommended by the university senate, was something on which "neither the senate nor we yet feel fully informed."

Like a number of other institutions, Columbia already has a policy of selective divestment, and last year the board voted to freeze its South Africa-related holdings at $39-million, roughly 5 per cent of its portfolio. However, the recent sale of university land at Rockefeller Center has freed up $400-million—half the portfolio—for other investments.

Although the potential financial effects of divestment have long been "part of the equation" in the board's deliberations, says Anthony D. Knerr, executive vice-president of business and finance, the land sale has made a complicated issue even more so.

UNIVERSITY OF MAINE

Joseph G. Hakanson is chairman of the board of trustees at the University of Maine.

Mr. Knerr agrees with the view that, as he puts it, "there is not a lot of clear evidence on what the costs of total divestment would be, either in the short run or the long run. There has not been a study which definitively allows a board of trustees or administrator to decide the question."

More generally, however, based on recent interviews with trustees and investment experts, it appears that when most boards have considered the divestment issue in the past, they have been influenced more by the moral implications of their policy choices than by any great concern over the potential effect on their portfolios.

In most cases, the trustees seem to have assumed that the effect probably would be fairly small and that, even if it might contribute to some losses, that should not be the pivotal factor.

Comments from trustees at two institutions in Maine—one public and the other private—illustrate the point.

"We came to total divestment because we did a lot of reading on it and talked to a lot of people, and decided that divestment sent the best signal to the South African government," says Joseph G. Hakanson, board chairman for the University of Maine, which made a full, $3-million divestment in 1982. "We had a lot of debate and deliberation. I don't think we talked about the financial end. The moral question certainly supersedes the financial question."

Mr. Hakanson, who is a first vice-president of investments for Advest, Inc., a brokerage firm, notes that Maine's divestment represented nearly 40 per cent of its total portfolio, but he says he was not expecting any serious financial losses.

Moral Responsibility Cited

At Colby College, which made a partial divestment of $900,000 in 1980, John S. Delaney, chairman of the trustee investment committee, says the board has not considered the financial consequences of full divestment as a matter of policy.

"I think the issue is, 'What is your responsibility to the college morally?' as well as the purer capitalistic aspects of what you do," says Mr. Delaney, executive vice-president at Smith Barney, Harris Upham & Co., an investment bank. But he adds that, in general, members of the Colby board "do not look at the specific economics of what would have happened had we done this or that" about particular investments.

In a recent publication of the National Legal Center for the Public Interest, Roy A. Schotland, professor of law at the Georgetown University Law Center, asserted that regardless of a portfolio's size, full divestment meant "much higher transaction costs, major [investment] opportunity losses . . . , [and] increased risk because of the larger number of holdings in smaller stocks and also because of far less diversification."

Mr. Schotland also raised an argument often made by opponents of divestment that such action will not further anti-apartheid goals in South Africa "but will at best (a) leave the problem in *status quo*, (b) probably make it worse, and (c) certainly hurt jobs here at home."

The divested stock will be picked up immediately by other investors who, "by definition," care less about a company's activity in South Africa, he said. Instead of total divestment, a one-shot "symbolic" act, Mr. Schotland supports the approach of many "socially concerned" institutional investors that use their status as stockholders to apply steady pressure for better employment practices by the companies in question.

Another contributor to the publication, John H. Langbein, professor of law at the University of Chicago, challenged supporters of divestment to explain why the campaign was directed mainly at South Africa when there were other "monstrously objectionable regimes" in the world. The answer, he suggested, depended on how much of a "stink" was raised by protesters, an approach he said turned social investing into "a branch of interest-group politics."

In a statement made last fall and reprinted in the National Legal Center's publication, Derek C. Bok, president of Harvard University, remarked: "Despite our revulsion toward apartheid, the fact remains that Harvard's resources were entrusted to us for academic purposes and not as a means of demonstrating our opposition to apartheid or to other manifest injustices and evils around the world."

Harvard is one of a handful of colleges and universities that have made partial divestments of South Africa-related stocks in recent months or have announced decisions to take such action. Others are Dartmouth College, Georgetown University, and Grinnell College.

At Stanford University, where 12 of 33 trustees recently joined about 700 students, faculty members, and others in an outdoor forum on divestment, President Donald Kennedy said he believed that it was "extremely unlikely" that full divestment by Stanford and others would produce the results that the foes of apartheid have been seeking.

Several other prominent university leaders, including Mr. Bok and President William G. Bowen of Princeton, have made similar points.

Mr. Kennedy, reaffirming support for Stanford's policy of selective divestment, said that he approved of legislative efforts in Congress to impose trade sanctions against the South African government "that are designed not to throw nonwhites out of work."

Referring to the trustees' legal responsibility to preserve the university's assets, Mr. Kennedy also suggested that "very serious" questions would have to be considered if the board "became convinced that total divestment was the right course to pursue in the interest of black South Africans."

A Ruling in Oregon

Such questions have already been posed—and initially decided—in a county court in Oregon.

Ruling on a lawsuit by a student association at the University of Oregon, among other groups, Circuit Judge George J. Woodrich held last December that a 1977 decision by the Oregon State Board of Higher Education to divest its holdings in companies doing substantial business in South Africa violated its statutory obligations for "prudent" investing.

The ruling has been appealed.

South Africa-Related Investments: Guides to Analyzing the Issues

WASHINGTON

A 109-page analysis of issues involved in divestment for social or political purposes, as in the case of selling all investments in companies that do business in South Africa, has proved to be the most popular publication in the eight-year history of the National Legal Center for the Public Interest.

The center, a non-profit educational organization supported by foundations and corporate gifts, initially distributed some 15,000 copies of the analysis, *Disinvestment: Is It Legal? Is It Moral? Is It Production?* about two months ago.

Complimentary copies of the analysis went to state and federal officials, the entire federal judiciary, and many academics and other professionals.

Since then the booklet has generated so much interest that it has gone into a second and third printing, with the cumulative distribution expected to reach 30,000 by the end of May, said Richard D. Godown, the center's general counsel. He said universities were among the main sources of new orders.

The analysis, which includes articles by several law professors and statements by President Derek C. Bok of Harvard University and former Gov. William G. Milliken of Michigan, generally argues against divestment on moral, legal, and practical grounds. Copies of the booklet are available for $5 from N.C.L.P.I., 1101 17th Street, N.W., Suite 810, Washington 20036.

Among other recent publications on divestment:

► *Economic Action Against Apartheid: An Overview of the Divestment Campaign and Financial Implications for Institutional Investors*, by Brooke Baldwin and Theodore Brown (The Africa Fund, 198 Broadway, New York 10038; 47 pages; $5).

► *The Impact of South-Africa-Related Divestment on Equity Portfolio Performance*, by David Hauck (Investor Responsibility Research Center, Inc., 1319 F Street, N.W., Suite 900, Washington 20036; 44 pages; $50 for people at nonprofit organizations, $200 for others). Summarizes nine selected studies from 1978 to 1984 and analyzes issues related to divestment.

► *Perspective: College Actions on South African Investment*, compiled by Elaine H. El-Khawas and Barbara McKenna (Division of Policy Analysis and Research, American Council on Education, One Dupont Circle, Washington 20036; 45 pages; free; orders should be accompanied by self-addressed mailing labels). Describes actions or policies on divestment at 18 colleges and universities.

Columbia U. Withholds Diplomas of 15 Anti-Apartheid Protesters

WIDE WORLD

At Columbia U.'s graduation ceremonies, some students use mortarboards to protest the university's investment policies.

Columbia University last week withheld diplomas from 15 students who were involved in an anti-Apartheid protest this spring.

The students will not be allowed to graduate until the university has completed their disciplinary hearings, a Columbia spokesman said. "It could be today; it could be tomorrow; it could be weeks," she said.

The group includes some of the organizers of the three-week blockade of Hamilton Hall, a Columbia administration building. The protesters, who started the demonstration on April 4, demanded that the university divest itself of stock in companies doing business in South Africa.

About 85 students involved in the protest may be subject to disciplinary action, the spokesman said.

In reaction to Columbia's refusal to divest, between 150 and 200 graduating students walked out of commencement exercises last Wednesday and held their own "alternative" ceremony.

The students left the university affair after organizers dropped a huge banner reading "Divest Now" during a speech by Michael Sovern, Columbia's president.

At the alternative commencement, which took place at the site of the protest, the students heard speeches from student organizers and faculty members who had supported the blockade. Organizers also presented an "honorary degree" *in absentia* to Nelson Mandella, the imprisoned black South African leader.

Protest at Berkeley

In a protest at the University of California at Berkeley, students last week planned a two-day demonstration outside the Lawrence Hall of Science, where the university's regents were to discuss divestment. A spokesman for the protesters said the group expected more than 10,000 students and supporters to attend the rally.

A Berkeley spokesman said the university had prepared for the protest, providing a stage, a public address system, bus transportation, and portable toilets.

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News Summary

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Representatives of 40 countries have voted to blacklist American college coaches who recruit athletes in South Africa. Story on Page 27.

Robert Paul Wolff, the author of *Understanding Marx,* says new perspectives on Marxist economic principles could become a popular alternative to mainstream economics. Story on Page 7.

Open-meeting laws are not as large an obstacle to university governing boards as a recent report indicated, participants in a symposium agreed. Story on Page 13.

A federal review panel is deciding what kinds of material can be printed by organizations that have contracts with the National Institute of Education. Story on Page 19.

Two committees of the House of Representatives approved competing versions of legislation to nullify the Supreme Court's Grove City College ruling. Story on Page 19.

Legislation to increase faculty salaries at the University of Wisconsin has cleared important official hurdles, but observers say the fight for its passage has cost the university some credibility. Story on Page 23.

Visits to the Soviet Union by two groups of American scholars were canceled after Russian authorities denied a visa to one member of each group. Story on Page 29.

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A 'HIGH FIVE' FOR REAGAN AT ANNAPOLIS

WIDE WORLD

An exuberant graduate, Dominic Cuyno, greets the President, who spoke and handed out 1,032 diplomas at commencement exercises at the Naval Academy last week.

Students' Grades Found Level or Falling; Era of Widespread 'Inflation' Seen Over

By THOMAS J. MEYER

A decade after soaring grade-point averages provoked alarm on hundreds of campuses, faculties appear to have succeeded in stabilizing grades at American colleges and universities.

Officials at several institutions report that grade-point averages, or G.P.A.'s, have remained relatively constant since the mid-1970's, when substantial increases in the figures prompted reforms on many campuses.

With a combination of stricter evaluations by professors, cutbacks in such options as "pass-fail" grading, and increased attention to how students' performance is assessed, many colleges appear to have succeeded in taming grade inflation.

"We're into a new era," says C. James Quann, registrar of Washington State University, who has conducted a national study of grading. "Over all, the G.P.A.'s have been coming down. At every institution I've talked to, G.P.A.'s have fallen."

'Nearly Back to Where We Were'

The looser, more permissive grading policies of the late 1960's and early 1970's led to a peak in average grades in the mid-70's, Mr. Quann says. But he believes the figures are now slowly approaching the levels of the mid-60's, before "grade devaluation" became a prominent issue on the nation's campuses.

"I'd say, looking at the nation as a whole, we're returning to pre-1965 grading standards," says Mr. Quann, whose study

Continued on Page 14, Column 1

States Providing Special Funds to Lure Scholars

But some institutions have difficulty filling new chairs

By JEAN EVANGELAUF

Legislators in at least 10 states have approved or are considering measures they hope will lure eminent scholars to their public universities.

But some universities are finding that filling the endowed chairs created by the laws can be more difficult than persuading legislators and donors to pay for them.

Although the provisions vary, the programs share the same goals—to enrich intellectual life on the campuses and to enhance the universities' reputations by paying top salaries to top faculty members.

The typical eminent-scholars program takes the form of a challenge grant: To receive state funds, a university must raise a greater or equal amount in private contributions. The combined amount is placed in a trust fund, and the income it earns goes toward the faculty member's salary and related research expenses.

Endowing a Post at Cut-Rate Price

"The beautiful thing about the money is that it's there in perpetuity," said one university administrator. "It's for the particular campus designated to receive it, and the legislature can't take it away."

The price of a single endowed chair is usually $1-million. Because of the state contribution, a donor would be able to endow a chair at a cut-rate price.

Legislatures in Alabama, Georgia, and West Virginia have approved eminent-scholars programs in recent weeks, and the Minnesota and Pennsylvania legislatures will take up such proposals soon.

Ohio and Tennessee are getting new programs under way. Although a program in Louisiana has not yet received funding, campus officials there are seeking donors in anticipation of state aid.

In setting up eminent-scholars pro-

Continued on Page 12, Column 1

There's More Asking and More Giving: Individual Donations Top $61-Billion

By PAUL DESRUISSEAUX

NEW YORK

The healthy state of the American economy had much to do with the record amount that individuals contributed to charitable causes and organizations in the United States last year—$61.5-billion.

But another reason why they gave more is because they were asked to give more.

"You don't raise money without asking for it," says John J. Schwartz, president of the American Association of Fund-Raising Counsel. "And there is simply much more asking going on now."

Recent years have seen sharp declines in the level of government support for many programs and activities conducted by charitable organizations and institutions. As a result, those organizations—including colleges and universities—have become more dependent on funds raised from private sources.

"They are taking their fund-raising much more seriously than ever before," says Mr. Schwartz, "and they are working much harder at it."

That fact, coupled with increased public awareness of the plight of charitable organizations, helped account for the increased success in raising funds those organizations had last year.

The increase in charitable giving cannot compensate for cuts in federal support for programs in the arts, education, health, and social services, says Mr. Schwartz. Researchers have estimated that the government has reduced its appropriations in those areas by $17-billion since 1982.

"Philanthropy would have to grow close to 40 per cent a year just to keep up with those cuts," says Mr. Schwartz. There will be a greater disparity, he adds, if any tax-reform plan approved by Congress includes provisions that would discourage charitable giving.

According to the 1985 edition of *Giving*

Continued on Page 17, Column 1

Philanthropy in the United States is under attack, says the president of the Rockefeller Foundation. Story on Page 15.

Philanthrophy Under Attack, Foundation Head Charges

Rockefeller Fund's Lyman fears consequences of tax-reform proposals that would weaken charitable giving

NEW YORK

"The most remarkable instance in living memory of the government's right hand not knowing—and *choosing* not to know—what its left hand is up to."

The speaker was Richard W. Lyman, president of the Rockefeller Foundation. His target was the Reagan Administration and its consideration of tax-reform measures that could cause a significant decrease in contributions to charitable organizations even as federal support for such causes is declining sharply.

Mr. Lyman, speaking at a program marking the 50th anniversary of the American Association of Fund-Raising Counsel, said that philanthropy in the United States was under attack. If provisions in the tax code regarding charitable contributions are weakened, he said, the consequences will extend far beyond a loss of money by some worthy organizations—the basic character of the country will be affected.

"The ties that bind us together will be weakened, our sense of community eroded, and the priceless bounty of mutual support discounted," he said.

The White House is in the final stages of revising the tax-reform plan that it will present to Congress. The President is expected to unveil it in a televised speech this week.

Since a tax-reform plan was first proposed last fall by the Treasury Department, the package has included a number of provisions that some observers said would decrease charitable giving by more than 20 per cent.

In recent weeks, however, reports have said the White House plan will not include some of the elements that would have had the greatest impact on such giving. Those include a provision allowing only taxpayers who donate 2 per cent or more of their income to charity to take deductions for such gifts, and one forbidding taxpayers to deduct gifts of appreciated property at full market value—as is now the case—but at their original cost plus an adjustment for inflation.

Mr. Lyman said that with many tax-reform measures being introduced by members of Congress—"every one of which would reverse the tide of legislative encouragement to charity"—there were no grounds for complacency.

Warns Against Complacency

While the Treasury has reportedly heard more protest about the tax plan's harmful effects on charitable giving than about any other aspect of it, Mr. Lyman said many organizations and individuals who would be adversely affected by such changes in the tax code had failed to speak up. He said they were holding to a misguided belief that such changes could never make their way into law.

"The very fact that charitable giving and the use of the tax laws to encourage it has been such a central feature of the American social landscape for so long reinforces the belief that it will turn out in the end to be sacrosanct and untouchable," he said.

Such a belief, however, "flies in the face of the apparent increasing propensity in these last decades of the 20th century for the impossible to happen in politics," Mr. Lyman said. "In politics today, counting on the past to predict the future with any accuracy is dangerous."

Especially at risk, he said, is the provision allowing taxpayers who do not itemize their deductions—about two-thirds of all taxpayers—to deduct their contributions to charity. The provision, commonly referred to as the "above-the-line" deduction, went into effect in 1982 and will automatically expire at the end of 1986 unless Congress acts to make it permanent.

Figures just released by the American Association of Fund-Raising Counsel indicate that gifts from individuals accounted for 89 per cent of the record $74.25-billion given to charitable organizations and causes in the United States in 1984.

"Clearly, individuals remain the backbone of American philanthropy," said Mr. Lyman, a former president of Stanford University who, in addition to being head of the Rockefeller Foundation, is chairman of the board of Independent Sector, a national organization that encourages philanthropy and voluntary action.

He said it was "pie-in-the-sky" to pretend that tax incentives do not play an important role in charitable giving, although he said it was believed that they do not occasion gifts to charity as much as they influence the size of such gifts, particularly at upper-income levels. But he attacked the notion that people give to charitable causes because doing so is financially advantageous to them.

With rare exceptions, he said, it is not possible to maintain that Americans "make money" out of the deductibility of their charitable contributions.

Mr. Lyman said it was frustrating to hear the deductions for gifts to charity now possible under the income tax code called "loopholes."

"What a travesty it is to suggest that using the charitable deduction is an act of evasion," he said. "It is those who do not contribute to public purposes beyond their tax payments to government who are evading

Continued on Following Page

ROCKEFELLER FOUNDATION

"In politics today, counting on the past to predict the future is dangerous," says Richard Lyman.

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FACT–FILE

Largest Gifts and Bequests to Colleges and Universities in 1984

Recipient	Donor	Amount
Cornell U. Medical Center	Anonymous	$50,000,000
Stanford U.	System Development Corporation	21,000,000
Cornell U.	Samuel C. Johnson	20,000,000
Columbia U.	Gannett Foundation	15,000,000†
Baylor U.	Mattie Allen	13,800,000
U. of Illinois	International Business Machines	12,500,000
U. of California at Irvine	George E. Hewitt	12,000,000
New York U.	Anonymous	11,000,000*
Stanford U.	International Business Machines	10,000,000
U. of Georgia	W.K. Kellogg Foundation	8,370,000‡
Columbia U.	Christine S. Carleton	8,000,000
Cornell U.	International Business Machines	8,000,000
U. of Washington	International Business Machines	8,000,000
West Virginia U.	Hazel Ruby McQuain	8,000,000
Georgetown U.	Thomas & Dorothy Leavey Foundation	7,000,000
Quincy College	Sacred Heart Province of the Franciscan Fathers	7,000,000†
Tulane U.	Friends, family and business colleagues of A. B. Freeman	7,000,000
U. of North Carolina at Chapel Hill	William R. Kenan, Jr., Charitable Trust	6,500,000
U. of California at Berkeley	Digital Equipment Corporation	6,300,000
U. of Notre Dame	Arthur J. Decio	6,200,000
George Washington U.	Lyle and Freda Alverson	6,000,000
U. of Pennsylvania	International Business Machines	6,000,000
Princeton U.	International Business Machines	6,000,000
U. of Southern California	International Business Machines	6,000,000
Texas Christian U.	Anne Burnett Tandy & Charles D. Tandy Foundation	6,000,000
Pennsylvania State U.	Homer F. Braddock	5,600,000
Kenyon College	Olin Foundation	5,500,000
American U.	Agnan M. Khashoggi	5,000,000
Boise State U.	Micron Technology, Inc.	5,000,000
Columbia U.	Temple Hoyne Buell	5,000,000
Dartmouth U.	John W. Berry	5,000,000
George Mason U.	Clarence J. Robinson	5,000,000
Harvard U.	Hewlett-Packard Company	5,000,000
Harvard U.	Ira Kukin	5,000,000
Johns Hopkins U.	Harvey M. and Lyn P. Meyerhoff	5,000,000
Loyola U. of Chicago	Frances G. Russo	5,000,000
Mount Saint Mary's College (Md.)	Henry J. Knott	5,000,000
Southern Methodist U.	Cary M. Maguire	5,000,000
Washington U. (Mo.)	McDonnell Foundation	5,000,000
U. of Kentucky	Lucille Parker Markey	4,900,000
Columbia U.	Anonymous	4,300,000
Washington U. (Mo.)	Monsanto Fund	4,300,000
Bates College	Olin Foundation	4,100,000
Bridgewater College	Mr. and Mrs. V.L. Frederick	4,000,000
New York U.	Filomena D'Agostino Greenberg	4,000,000
Bowdoin College	William F. Farley	3,500,000
Saint Louis U.	Monsanto Fund	3,400,000
U. of Alabama at Huntsville	Sperry Corporation	3,200,000
Bethany College	Ludwig and Selma Nelson Religious, Educational & Charitable Trust	3,000,000
DePauw U.	Robert and Jane Edwards	3,000,000
U. of Florida	Sam P. Harn	3,000,000
Hamilton College	Margaret Bundy Scott	3,000,000
Iowa State U.	Charles W. and Margre Henningson Durham	3,000,000
U. of Kentucky	Mr. and Mrs. Maxwell Gluck	3,000,000
Lafayette College	William E. and Carol Simon	3,000,000
U. of Michigan	Ford Motor Company	3,000,000
Princeton U.	Malcolm S. Forbes and the Forbes Foundation	3,000,000
U. of Tennessee Center for the Health Sciences at Memphis	Harriet Van Vleet	3,000,000
Texas Tech U.	Texas Instruments, Inc.	2,950,000
Beloit College	3 anonymous donors	2,750,000
Concordia College	Olin Foundation	2,750,000
Texas Lutheran College	Houston Endowment	2,750,000
Bowdoin College	George P. Knox	2,700,000
Birmingham Southern College	Olin Foundation	2,600,000
Louisiana State U.	Manship family	2,600,000
Albertus Magnus College	Daniel P. Cosgrove and Edward L. Marcus	2,500,000
Centre College of Kentucky	Doris Chenault	2,500,000
U. of Charleston	Mr. and Mrs. Chester Lewis	2,500,000
U. of Houston	Dolores Welder Mitchell	2,500,000
Lawrence U.	Anonymous	2,500,000
Marist College	International Business Machines	2,500,000
Princeton U.	James S. McDonnell Foundation	2,500,000
Princeton U.	Pew Memorial Trust	2,500,000
Saint Louis U.	Danforth Foundation	2,500,000
U. of Scranton	Francis E. Redington	2,500,000
Villanova U.	Pew Memorial Trust	2,500,000
Washington U. (Mo.)	McDonnell Douglas Foundation	2,500,000
Emory U.	W. Clair Harris and Lucy Clair Harris	2,400,000
Christian Brothers College	Bennette Callicott Nolan	$2,300,000
U. of Chicago	Frank J. Greenberg	2,300,000
Brookings Institution & Columbia U.	Carnegie Corporation of America	2,250,000
Southern Methodist U.	Robert S. & Margaret Folsom	2,250,000
U. of South Carolina	Philip A. Rhodes	2,200,000
Huntington College	Anonymous	2,125,000
Ohio State U.	R. David Thomas	2,100,000
John Carroll U.	Mellon Foundation	2,100,000
U. of Arizona	National Cash Register Corporation	2,000,000
Bowdoin College	Clinton Noyes and Alice Fortin Peters	2,000,000
Emory U.	George W. Woodruff	2,000,000
Harvard U.	McKinsey and Company	2,000,000
Indiana U.	George and Frances Ball Foundation	2,000,000
Johns Hopkins U.	AT&T Information Systems	2,000,000
Johns Hopkins U.	Ryda and Robert H. Levi	2,000,000
U. of Massachusetts	Richard M. Haddock	2,000,000
U. of Michigan	General Motors Foundation	2,000,000
U. of North Carolina at Chapel Hill	Lineberger family	2,000,000
U. of Southern Maine	Eleanor Houston Smith	2,000,000
Swarthmore College	James A. Michener	2,000,000
Texas Lutheran College	J.E. and L.E. Mabee Foundation	2,000,000
U. of California at Los Angeles	Audrienne H. Moseley	1,900,000
Duke U.	Duke Endowment	1,900,000
Texas Lutheran College	Adolph L. and Lillie Krause	1,900,000
Duke U.	Duke Endowment	1,800,000
U. of Southern California	James Irvine Foundation	1,700,000
Virginia Commonwealth U.	Mary Eugenia Kapp	1,700,000
Widener U.	Alfred O. Dechong	1,700,000
U. of Illinois	William S. Kinkhead	1,600,000
Yale U.	Anonymous	1,600,000
Saint Louis U.	Ralston Purina Trust Fund	1,550,000
Brown U.	Pew Memorial Trust	1,500,000
U. of Connecticut	Aetna Life and Casualty Foundation	1,500,000
Cornell U.	J.N. Pew, Jr. Charitable Trust	1,500,000
Emory U.	Michael C. Carlos	1,500,000
U. of Maryland at Baltimore	Sonya Gershowitz	1,500,000
U. of Maryland at Baltimore	Mary Wallace Stanton	1,500,000
U. of Maryland at College Park	Michael D. Dingman and Signal Companies, Inc.	1,500,000
McPherson College	Ludvig and Selma Nelson Foundation	1,500,000
Medical College of Pennsylvania	Ethel Russell Morris	1,500,000
Meharry Medical College	W.K. Kellogg Foundation	1,500,000
U. of Michigan	Dow Chemical Company	1,500,000
New York Medical College	Harry Barowsky	1,500,000
U. of Nevada at Las Vegas	Nevada Power Company	1,500,000
U. of Nevada at Las Vegas	Xanaro Technologies, Inc.	1,500,000
U. of Pennsylvania	Pew Memorial Trust	1,500,000
Randolph Macon College	Anonymous	1,500,000
Trinity U. (Texas)	J.E. and L.E. Mabee Foundation	1,500,000
Washburn U.	Fred J. Kuehne	1,500,000
Washington U. (Mo.)	McDonnell Douglas Foundation	1,500,000
Washington U. (Mo.)	May Department Stores	1,500,000
Worcester Polytechnic Institute	Walter Rutman	1,500,000
Baylor Law School	A. Guy Crouch	1,400,000
Marietta College	Sandhill Energy, Inc.	1,400,000
Pennsylvania State U.	Margaret Correll Boyle	1,400,000
Western Illinois U.	Cecil P. McDonough	1,400,000
Hofstra U.	Signal Companies, Inc.	1,350,000
Roanoke College	A. Blair and Lucille D. Antrim	1,300,000
Washington and Lee U.	Ruth Parmly	1,300,000
U. of Alabama	Anonymous	1,250,000
U. of Chicago	Kirkland and Ellis, Inc.	1,250,000
Harvard U.	International Business Machines	1,250,000
Mount Sinai School of Medicine of City U. of New York	Bernard J. Lasker	1,250,000
Saint Louis U.	Southwestern Bell Telephone Company	1,125,000
U. of Southern California School of Dentistry	Dr. and Mrs. George N. Boone	1,250,000
Trinity U. (Texas)	Chapman-Barnard-McFarlin Interests	1,250,000
U. of Wisconsin at Madison	Cecyle Stone and Family	1,250,000
Columbia U.	Mrs. Fritz Palmer	1,200,000
Baker U.	W.I. Boone	1,100,000
Pennsylvania State U.	Matthew J. and Anne C. Wilson	1,100,000
Agnes Scott College	Irene K. Woodruff	1,000,000
Ball State U.	Harold Ellison	1,000,000
Bates College	Joseph A. Underhill	1,000,000
DePauw U.	Halford B. Kneale	1,000,000
Drew U.	Nettie Brown	1,000,000
Emory U.	Irene K. Woodruff	1,000,000
Fordham U.	Rev. Nicholas J. Langenfeld	1,000,000
Hendrix College	Harold H. Cabe	1,000,000
Jamestown Community College	Carl A. Hultquist	1,000,000
Moravian College	Clayton W. and Helen H. Bernhardt	1,000,000
U. of Oklahoma	Henry D. and Ida Mosier	1,000,000
Olivet College	Scott E. Lamb	1,000,000
Rensselaer Polytechnic Institute	David M. Darrin	1,000,000
Union Theological Seminary	Doris Dick Havemeyer	1,000,000

† Over a 5-year period.
‡ Over a 6-year period.
* Value of bequest estimated between $11-million and $15-million.

SOURCE: AMERICAN ASSOCIATION OF FUND-RAISING COUNSEL

Taxes and Philanthrophy

Continued from Preceding Page

something—their responsibility to sustain the most remarkable system for mobilizing private energies for the achievement of public purposes that the world has ever known."

He said it was ironic that in a period in which the private sector "is being lauded and promoted on all sides, the not-for-profit portion of that sector should be feeling besieged and threatened." Part of the reason for that, he said, is its dependence on government funds.

"Such things as social-welfare programs and scientific research—which in the years between the wars were thought of more or less as the domain of charitable and foundation efforts—have become government business in a very big way," he said. "And government has very often worked in these and other fields through private agencies.

"Even in the arts and humanities, while the federal government is a relatively limited player, it is often a crucial one," he added. "No one else has the capacity to support some of the major needed efforts in such fields—the great independent research libraries, the private sector in higher education, the leading museums and other arts organizations all need *both* their private support and their federal support."

Mr. Lyman said that diminishing the private support that such organizations would receive by an estimated 21 per cent—as the original version of the tax plan would do—makes little sense under any circumstances. "But doing this at the same time that direct federal funding is markedly diminished—that's difficult even to rationalize, let alone justify," he said.

—PAUL DESRUISSEAUX